

Retailers Head for Exits in Detroit

by Andrew Grossman
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Shopping Becomes a Challenge as Auto-Industry Collapse Adds to City's Woes

DETROIT -- They call this the Motor City, but you have to leave town to buy a Chrysler or a Jeep.

Borders Inc. was founded 40 miles away, but the only one of the chain's bookstores here closed this month. And Starbucks Corp., famous for saturating U.S. cities with its storefronts, has only four left in this city of 900,000 after closures last summer.

There was a time early in the decade when downtown Detroit was sprouting new cafes and shops, and residents began to nurture hopes of a rebound. But lately, they are finding it increasingly tough to buy groceries or get a cup of fresh-roast coffee as the 11th largest U.S. city struggles with the recession and the auto-industry crisis.

No national grocery chain operates a store here. A lack of outlets that sell fresh produce and meat has led the United Food and Commercial Workers union and a community group to think about building a grocery store of its own.

One of the few remaining bookstores is the massive used-book outlet John K. King has operated out of an abandoned glove factory since 1983. But Mr. King is considering moving his operations to the suburbs.

Last week, Lochmoor Chrysler Jeep on Detroit's East Side stopped selling Chrysler products, one of the 789 franchises Chrysler Group LLC is dropping from its retail network. It was Detroit's last Chrysler Jeep store.

"The lack of retail is one of the biggest challenges the city faces," said James Bieri, president of Bieri Co., a Detroit-based real-estate brokerage. "Trying to understand how to get it to come back will be one of the most important keys to its resurgence -- if it ever has one."

Detroit's woes are largely rooted in the collapse of the auto industry. General Motors Corp., one of downtown's largest employers and the last of the Big Three auto makers with its headquarters here, has drastically cut white-collar workers and been offered incentives to move to the suburbs. Other local businesses that serviced the auto maker, from ad agencies and accounting firms to newsstands and shoe-shine outlets, also have been hurt.

The city's 22.8% unemployment rate is among the highest in the U.S.; 30% of residents are on food stamps.

"As the city loses so much, the tax base shrinks and the city has to cut back services," said Margaret Dewar, a professor of urban planning at the University of Michigan. That causes such hassles for retailers as longer police-response times, as well as less-frequent snow plowing and trash pickup.

While all of southeast Michigan is hurting because of the auto-industry's troubles, Detroit's problems are compounded by decades of flight to the suburbs.

Hundreds of buildings were left vacant by the nearly one million residents who have left. Thousands of businesses have closed since the city's population peaked six decades ago.

Navigating zoning rules and other red tape to develop land for big-box stores that might cater to a low-income clientele is daunting.

The lack of grocery stores is especially problematic. The last two mainstream chain groceries closed in 2007, when The Great Atlantic & Pacific Tea Co. sold most of the southeast Michigan stores in its Farmer Jack chain to Kroger Corp., which declined to purchase the chain's two Detroit locations, causing them to close.

A 2007 study found that more than half of Detroit residents had to travel twice as far to reach a grocery store than a fast-food outlet or convenience store.

Michelle Robinson, 42 years old, does most of her shopping at big-box stores in the suburbs. When visitors staying at the hotel near her downtown office ask where to shop, she sends them to a mall in Dearborn, 12 miles away.

A few retailers are thriving. Family Dollar Stores Inc. has opened 25 outlets since 2003. A handful of independent coffee shops and a newly opened Tim Horton's franchise cater to workers downtown.

Discount grocer Aldi Inc. opened stores in the city in 2001 and 2005. A spokeswoman said the chain is "very bullish" on Detroit. Farmer's markets draw crowds looking for fresh produce.

Olga Stella, an official at the Detroit Economic Growth Corporation, works to persuade businesses to move to the city. She says companies have underestimated Detroit's economic potential and that Aldi and Family Dollar are proof there's money to be made here.

Meanwhile, the former Lochmoor Chrysler Jeep is now Lochmoor Automotive Group, a used-car dealership and repair shop. Gina Russo, daughter of the dealer's longtime owner, is being groomed to take over the family business. She has agreed to start selling small pickup trucks made by India's Mahindra & Mahindra Ltd.

Write to Andrew Grossman at andrew.grossman@wsj.com